

# Holiday Companies

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February 15, 2011

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve  
System  
20<sup>th</sup> Street and Constitution Avenue  
Washington, D. C. 20551

**VIA FACSIMILE**  
**202-452-3819**

**RE: Debit Card, Interchange Fees and Routing  
Docket No. R-1404 and RIN No. 7100 AD63**

Dear Ms. Johnson:

Based in Minnesota, Holiday Stationstores, Inc. operates over 450 corporate and franchise gasoline/convenience stores in 10 states (Alaska, Idaho, Michigan, Minnesota, Montana, North Dakota, South Dakota, Washington, Wisconsin and Wyoming). Holiday provides petroleum products and convenience items to thousands of consumers in this country and the ever growing preferred method of payment has become the use of a debit card. As the interchange and network fees for the use of the debit card have continued to grow, it is vitally important that the Federal Reserve Board issue a final rule effective July 21, 2011 that reigns in the excessive costs imposed by the financial industry to the detriment of retailers and consumers.

The Board is requesting comment on selecting one of two alternatives to set interchange fee limits that would apply to all covered issuers. The first is based upon an issuing bank's cost with safe harbor set at .07 per transaction with a cap of 12. The alternative is a stand alone cap of .12. We believe both of these options are too high but the first is much more preferable if each transaction is limited to .07. Retail sale of petroleum products is a highly transparent industry. No other business posts its prices on large, illuminated signs empowering consumers to shop for the best deal simply by driving down the street. The gross profit margin for the retail sale of a gallon of gasoline is often minimal and is greatly eroded by the excessive interchange expenses imposed by banks without any negotiation.

Debit card interchange fees are burdensome to our business and result in higher prices for our customers. A few major card companies have centrally set interchange fees for years and continue to increase these costs with minimal regard for the impact on retailers and the general public. Banks have brilliantly and successfully been able to convince consumers to use debit cards rather than checks, the latter form of payment being much more expensive for the banks. There is no justification for this cheaper medium of payment to be a source of excessive profit taking through arbitrarily high interchange fees.

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We would also look forward to the end of exclusive network arrangements, which should result in true competition that again will benefit retailers and consumers on debit transactions. The cost of accepting these increased fees year after year is something we are powerless to prevent and cannot predict what the cost increases will be. Providing retailers with a choice among competing networks will drive competitive pressures to limit what the networks charge our industry.

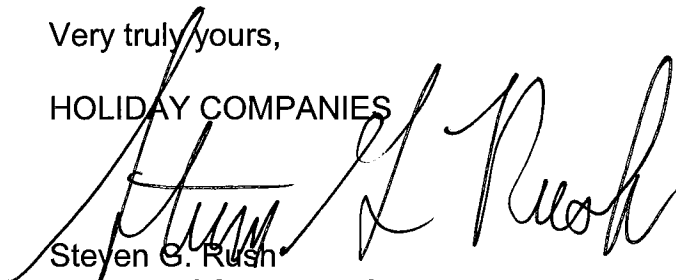
The Board should also understand that retailers pay for fraudulent charges every day and debit cards do not guarantee us payment. A fraudulent charge ends up being a charge back by a financial institution to the retailer. The banks cannot properly argue that this cost is something that they must bear justifying higher fees. Moreover, Holiday and other retailers spend a great deal of money on complying with the payment card industry standards imposed by the credit card companies.

We believe in a free market economy and are willing to compete freely for customers on our products. The credit card companies, however, have benefited from monopolistic control over interchange and network fees for decades without regard to the financial impact on retailers and the consuming public. We ask that the Board finalize rules setting the lowest possible interchange rate so that retailers and consumers can finally see some relief.

Thank you for your work on this matter and your consideration of these comments.

Very truly yours,

HOLIDAY COMPANIES

A handwritten signature in black ink, appearing to read "Steven G. Rush", is written over the printed name and title.

Steven G. Rush  
Director of Corporate Compliance and  
Government Relations

SGR/amp.01